

Appendix XIII. Section 8 Administrative Automatic Fee Reduction

A. Overview

- (1) HUD will assess each PHA's Section 8 reporting performance at the end of each semi-annual assessment period (i.e., end of June and December).
- (2) For Section 8, the reporting rate is determined for certificates and vouchers combined.
- (3) For a PHA that fails to meet the 85 percent reporting rate at the end of a semi-annual assessment period – and does not request forbearance by the deadline and obtain HUD approval of forbearance – HUD will assess a penalty against the PHA's average monthly Section 8 ongoing administrative fees. The penalty will be calculated as a 10 percent reduction in average monthly ongoing administrative fees for each month of the semi-annual period.

B. Semi-annual report to FMC. Approximately 45 days after the end of each semi-annual assessment period's forbearance request deadline (i.e., in late September and late March) HUD Headquarters will send a report to the Financial Management Center (FMC) identifying PHAs that have not achieved 85 percent reporting in that assessment period and that have not received forbearance from sanctions.

C. Applying the fee reduction at the FMC

- (1) The FMC will calculate a 10 percent administrative fee reduction for the number of months in the assessment period. For the assessment period ending June 30, 1999, the FMC will determine the fee reduction for five months (February through June 1999). For following assessment periods, the FMC will determine the fee reduction for six-months.
- (2) The monthly fee reduction will be calculated as 10 percent of the actual average monthly ongoing administrative fees earned as determined at Year End Settlement.
- (3) The FMC will begin to impose the fee reduction as soon as practicable following receipt of the Headquarters report identifying the PHAs subject to the fee reduction. The monthly ongoing fee amount scheduled for payment will be reduced by 10 percent for the same number of months covered by the assessment period.
- (4) At Year-End Settlement, the FMC will calculate the actual amount of the fee reduction to be applied based on actual average monthly ongoing fees earned during the PHA fiscal year.

Example 1: If a PHA with a fiscal year end of March 31, 1999, fails to meet the 85 percent minimum reporting requirement by June 1999, Headquarters will notify the FMC in late September 1999 to impose an administrative fee reduction for the five months of the initial period of February - June 1999. The FMC will reduce monthly ongoing administrative fee advances by 10 percent for each of the next five months. The fee reduction based on actual ongoing administrative fees earned for the fiscal year will be finally determined at the March 31, 2000 year-end settlement.

Example 2: If a PHA with a fiscal year end of September 30, 1999, fails to meet the 85 percent minimum reporting requirement by June 1999, Headquarters will notify the FMC in late September 1999 to impose an administrative fee reduction for the five months of the semi-annual period of February - June 1999. The September 30, 1999, fiscal year end settlement will not have been completed; therefore, the FMC will apply the 10 percent monthly fee reduction for the five month assessment period at Year-End Settlement.

Example 3: If a PHA with a fiscal year end of June 30, 2000, fails to meet the 85 percent minimum reporting requirement by December 1999, Headquarters will notify the FMC in late March 2000 to impose an administrative fee reduction for the six months of the semi-annual period of July - December 1999. The June 30, 2000 fiscal year end settlement will not occur until about four or five months later, so the FMC will begin as soon as practicable to reduce monthly ongoing administrative fee advances by 10 percent for each of the months through June 2000, and will reduce administrative fees for the remaining months at Year-End Settlement.

D. For More Information. For more information about the Section 8 Administrative Fee Penalty, please contact Susan Loritz at (202) 708-0614 x4068 or susan_m._loritz@hud.gov.